

Fiscal Note

Fiscal Services Division



HF 569 – Manufacture and Sale of Native Distilled Spirits (LSB2460YH)

Analyst: Joseph Brandstatter (Phone: 515-725-2062) (joseph.brandstatter@legis.state.ia.us)

Fiscal Note Version – New

Requested by Representative Helen Miller

Description

House File 569 allows for the manufacturer of native distilled spirits to sell, keep, or offer for sale native distilled spirits for off-premises consumption through sales on the manufacture's premises. A "native distilled spirit" is any spirit manufactured by a distillery located in Iowa. The Bill restricts any other form of sale to be made to the Alcoholic Beverages Division (ABD). Sales of native distilled spirits are limited to 5,000 proof gallons annually per distillery. The Bill requires payment of an excise tax to the Alcoholic Beverages Division of \$15 for each proof gallon. The Bill also requires the manufacturer to pay a \$25 initial license fee and annual renewal.

Assumptions

Due to current laws, only four distilleries are in operation in Iowa. If House File 569 is enacted, the number would increase to 15 distilleries in FY 2010 and 30 distilleries in FY 2011. Each would be required to pay the license fee of \$25.

The native distillery is required to pay a \$15 tax on each proof gallon sold directly consumers. The average proof rate for a distilled spirit is seventy. The tax rate would be \$10.50 per seventy proof gallons.

Native distilleries would sell on average 5,000 gallons of the maximum allowed 7,100 gallons of seventy proof liquor directly to consumers. The gross tax revenue is expected to be \$53,000 from each distillery. Total revenue generated is estimated at \$788,000 million for FY 2010.

Native distillery sales would partially erode current revenue by the ABD. These sales would replace sales by the ABD at an average markup of \$15.74 per seventy proof gallons. The State's General Fund is expected to lose \$5.24 on each gallon of liquor sold by a native distillery.

Fiscal Impact

House File 569 would decrease revenues to the State's General Fund by \$393,000 for FY 2010 and \$786,000 for FY 2011.

Sources

Alcoholic Beverages Division
Fiscal Services Division

/s/ Holly M. Lyons

March 15, 2009

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the correctional and minority impact statements were prepared pursuant to [Section 2.56](#), Code of Iowa. Data used in developing this fiscal note, including correctional and minority impact information, is available from the Fiscal Services Division of the Legislative Services Agency upon request.
